

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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February 27, 2008

Mr. Greg Williams, Reimbursement Manager
Sava Senior Care Administrative Services, LLC
5300 West Sam Houston Parkway North, Suite 200
Houston, Texas 77041

Re: AC# 3-SDV-J4 – GranCare South Carolina, Inc. d/b/a Springdale Healthcare Center

Dear Mr. Williams:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2003 through September 30, 2004. That report was used to set the rate covering the contract period beginning October 1, 2005.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written over a horizontal line.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**GRANCARE SOUTH CAROLINA, INC.
D/B/A SPRINGDALE HEALTHCARE CENTER
CAMDEN, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2005
AC# 3-SDV-J4**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 5, 2007

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GranCare South Carolina, Inc. d/b/a Springdale Healthcare Center, for the contract period beginning October 1, 2005, and for the twelve month cost report period ended September 30, 2004, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Springdale Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

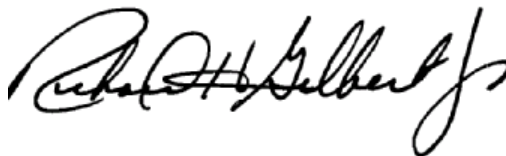
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GranCare South Carolina, Inc. d/b/a Springdale Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and GranCare South Carolina, Inc. d/b/a Springdale Healthcare Center dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 5, 2007

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

SPRINGDALE HEALTHCARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2005
AC# 3-SDV-J4

	10/01/05- <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$133.17
Adjusted Reimbursement Rate	<u>128.99</u>
Decrease in Reimbursement Rate	\$ <u><u>4.18</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 17, 2007.

SPRINGDALE HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2005 Through September 30, 2006
AC# 3-SDV-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 55.53	\$ 75.11	
Dietary		10.15	12.63	
Laundry/Housekeeping/Maintenance		<u>7.03</u>	<u>10.97</u>	
Subtotal	<u>\$6.91</u>	72.71	98.71	\$ 72.71
Administration & Medical Records	<u>\$ -</u>	<u>16.85</u>	<u>16.13</u>	<u>16.13</u>
Subtotal		89.56	<u>\$114.84</u>	88.84
<u>Costs Not Subject to Standards:</u>				
Utilities		3.08		3.08
Special Services		.24		.24
Medical Supplies & Oxygen		4.98		4.98
Taxes and Insurance		18.34		18.34
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$116.20</u>		115.48
Inflation Factor (4.70%)				5.43
Cost of Capital				6.33
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.16)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$128.99</u>

SPRINGDALE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-SDV-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,967,476	\$ 2,972 (5) 841 (7)	\$62,443 (4) 5,618 (4) 11,926 (6) 3,774 (8)	\$2,887,528
Dietary	556,088	500 (5) 9,115 (7)	1,155 (1) 5,816 (4) 21,760 (6) 9,003 (8)	527,969
Laundry	92,455	-	4,333 (8)	88,122
Housekeeping	120,805	17,995 (7)	12,672 (8)	126,128
Maintenance	138,607	14,263 (5) 28,720 (7)	1,904 (4) 28,562 (8)	151,124
Administration & Medical Records	931,112	20,356 (7)	9,027 (4) 317 (4) 55,778 (5) 10,145 (8)	876,201
Utilities	160,406	864 (7)	32 (5) 1,101 (8)	160,137
Special Services	12,444	166 (5) 8,206 (6)	8,405 (4)	12,411
Medical Supplies & Oxygen	272,817	-	581 (4) 9,657 (6) 3,609 (8)	258,970

SPRINGDALE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-SDV-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	1,006,285	6,774 (7)	4,478 (2) 40,440 (3) 141 (5) 14,459 (8)	953,541
Legal Fees	-	-	-	-
Cost of Capital	378,082	1,070 (7)	776 (1) 48,214 (5) 679 (8) 570 (9)	328,913
Subtotal	6,636,577	111,842	377,375	6,371,044
Ancillary	276,939	-	-	276,939
Nonallowable	749,950	776 (1) 759 (2) 40,440 (3) 94,111 (4) 86,264 (5) 35,137 (6) 88,337 (8) 570 (9)	85,735 (7)	1,010,609
CNA Training and Testing	-	-	-	-
Total Operating Expenses	<u>\$7,663,466</u>	<u>\$458,236</u>	<u>\$463,110</u>	<u>\$7,658,592</u>
Total Patient Days	<u>52,001</u>	<u>-</u>	<u>-</u>	<u>52,001</u>
Total Beds	<u>148</u>			

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-SDV-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 4,512	
	Other Equity	1,021	
	Nonallowable	776	
	Fixed Assets		\$ 4,378
	Dietary		1,155
	Cost of Capital		776
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accrued Property Taxes	7,506	
	Nonallowable	759	
	Retained Earnings		3,787
	Taxes and Insurance		4,478
	To adjust property taxes and related accrual HIM-15-1, Sections 2302.1 and 2304		
3	Nonallowable	40,440	
	Taxes and Insurance		40,440
	To adjust liability insurance expense HIM-15-1, Section 2304		
4	Nonallowable	94,111	
	Nursing		62,443
	Restorative		5,618
	Dietary		5,816
	Maintenance		1,904
	Administration		9,027
	Medical Records		317
	Medical Supplies		581
	Special Services		8,405
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-SDV-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	2,972	
	Dietary	500	
	Maintenance	14,263	
	Special Services	166	
	Nonallowable	86,264	
	Administration		55,778
	Utilities		32
	Taxes and Insurance		141
	Cost of Capital		48,214
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Special Services	8,206	
	Nonallowable	35,137	
	Nursing		11,926
	Dietary		21,760
	Medical Supplies		9,657
	To remove special (ancillary) services reimbursed by Medicare		
	State Plan, Attachment 4.19D		
7	Restorative	841	
	Dietary	9,115	
	Housekeeping	17,995	
	Maintenance	28,720	
	Administration	20,356	
	Utilities	864	
	Taxes and Insurance	6,774	
	Cost of Capital	1,070	
	Nonallowable		85,735
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-SDV-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	88,337	
	Restorative		3,774
	Dietary		9,003
	Laundry		4,333
	Housekeeping		12,672
	Maintenance		28,562
	Administration		10,145
	Utilities		1,101
	Taxes and Insurance		14,459
	Medical Supplies		3,609
	Cost of Capital		679
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nonallowable	570	
	Cost of Capital		570
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>471,275</u>	\$ <u>471,275</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

SPRINGDALE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-SDV-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.71494</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>148</u>
Deemed Asset Value	6,275,496
Improvements Since 1981	304,859
Accumulated Depreciation at 9/30/04	(1,487,309)
Deemed Depreciated Value	5,093,046
Market Rate of Return	<u>.0516</u>
Total Annual Return	262,801
Return Applicable to Non-Reimbursable Cost Centers	(1,809)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	260,992
Depreciation Expense	113,443
Amortization Expense	2,582
Capital Related Income Offsets	(47,425)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(679)</u>
Allowable Cost of Capital Expense	328,913
Total Patient Days (Minimum 96% Occupancy)	<u>52,001</u>
Cost of Capital Per Diem	\$ <u><u>6.33</u></u>

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